

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER



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ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us

MEMORANDUM

TO: Chairman Carl J. Kunasek
Commissioner Jim Irvin
Commissioner William A. Mundell

FROM: Mark Sendrow *Mal*
Director of Securities

DATE: October 18, 1999

RE: Docket No. S-03269A-99-0000, Bredeson, et al.

CC: Brian C. McNeil, Executive Secretary

Arizona Corporation Commission
DOCKETED

OCT 18 1999

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ARIZONA CORPORATION COMMISSION
SECURITIES DIVISION
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Attached is a proposed default Order against Patrick Robin Hogue. Four individuals were named in the initial action, which was filed on May 18, 1999. Two individuals were served with a Notice of Opportunity for Hearing, Lowell Robert Taylor and Patrick Robin Hogue. Hogue was personally served a copy of the Notice and failed to request a hearing. The remaining two respondents, James Bredeson and Ronald Hoover, have not been served, although lengthy efforts were made to determine their whereabouts.

During late 1997 through April of 1998, Taylor, Hogue, Bredeson and Hoover sold investments under the d/b/a of Plus More Trust, located in Phoenix, Arizona. Hoover and Hogue were licensed or affiliated to sell certain products of WMA Securities of Duluth, Georgia, although Hogue's license was with California. The products sold by the respondents through Plus More Trust were not approved by WMA. The products consisted of opportunities to invest money in medium term notes, purportedly traded by large European banks (the "PMT program".) The Securities Division alleged as part of its fraud allegations that such products, which offered investors up to 10% return per month, did not exist in the legitimate financial markets.

The four respondents raised at least \$1,091,500 through the sale of the PMT program. On November 23, 1998, WMA Securities entered into a Consent Order with the Commission whereby WMA paid restitution plus 10% interest to all known investors in the PMT program.

The current case was filed in order to obtain a return of any commissions from the individual salesmen. Hogue received at least \$1522 in commissions on his sales of the PMT

The Division is aware of only one sale made by Hogue. However, Hogue appeared before the Division for testimony, and refused to answer questions, because Hogue stated he believed he was an individual foreign state having sovereign immunity, thus not subject to the jurisdiction of the state of Arizona. Upon hearing about Hogue's failure to cooperate, WMA terminated their affiliation with him.

Since no amounts are due to investors, a penalty of \$6522 is recommended to cover the commissions earned plus an additional \$5000 fine. The Division believes that while the fine is large in comparison to the commissions, it is a fair response to Hogue's violations of law and failure to cooperate.

Originator: Sharon Fox
AG Assigned: Robert Zumoff

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
3 Commissioner-Chairman
4 TONY WEST
5 Commissioner
6 CARL J. KUNASEK
7 Commissioner

8 In the matter of

9 JAMES TROY BREDESON
10 1951 w. Camelback Rd., Ste. 270
11 Phoenix, AZ 85015

12 RONALD JOHN HOOVER
13 4215 N. Civic Center Blvd., #145
14 Scottsdale, AZ 85251

15 LOWELL ROBERT TAYLOR
16 a/k/a JIM TAYLOR
17 630 N. Pheasant Dr.
18 Gilbert, AZ 85236

19 PATRICK ROBIN HOGUE
20 2765 N. Scottsdale Rd. , #104-A
21 Scottsdale, AZ 85257,

22 Respondents.

DOCKET NO. S-03269A-99-0000

DECISION NO. _____

**ORDER TO CEASE AND DESIST AND
ORDER FOR ADMINISTRATIVE
PENALTIES RE: PATRICK ROBIN
HOGUE**

23 **I.**

24 **INTRODUCTION**

25 On May 18, 1999, the Securities Division ("Division") of the Arizona Corporation Commission
26 ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order for Relief
27 ("Notice") against the above Respondents. The Notice specified that Respondents would be afforded an
28 opportunity for an administrative hearing on this matter upon filing a written request with Docket
29 Control of the Commission within ten (10) days of receipt of the Notice. PATRICK ROBIN HOGUE
30 was served a copy of the Notice on May 18, 1999 by personal service upon his wife at his home address
31 as stated above. HOGUE failed to request a hearing.

II.

FINDINGS OF FACT

1. PATRICK ROBIN HOGUE ("HOGUE"), CRD #2308082, whose last known address is 2765 N. Scottsdale Rd., #104-A, Scottsdale, AZ 85257, was at all relevant times a salesman for an entity known as PlusMore Trust ("PMT"). HOGUE was not registered under the Securities Act of Arizona as a dealer or salesman. However, HOGUE was licensed to sell securities in California and affiliated with WMA Securities of Duluth, GA. WMA Securities terminated HOGUE on October 2, 1998 for failing to cooperate with the Arizona Securities Division's investigation into PMT.

2. Beginning around November, 1997 through at least April, 1998, HOGUE offered and sold investment opportunities in the form of "Private Loan Contracts" between the investor as "lender" and PMT as "borrower" (the "PMT program".) Investors who provided PMT with funds were promised from 3 to 10% return per month on their investment for a period of 12 months. Investors were told that they could roll over their monthly returns, or a portion of them, to accumulate an even greater total on which to calculate the monthly interest. Investors were also provided with a repayment schedule that allowed for monthly withdrawals during the course of the PMT program.

3. Investors were told that their money would be used by PMT to invest in "medium term notes" issued by a top European bank. The notes would then be traded on secondary markets at substantial spreads, producing returns which would allow PMT to pay high interest to investors.

4. Investors were told that the trading of medium term notes was "very much an insider game, thoroughly known and understood by a privileged few." Those connected with the European financial institutions were under "non-disclosure covenants for years." Thus, investors were told that there was not any publicity about the PMT program and how transactions were conducted. Only those "invited" could participate in PMT's program.

5. Investors received a "Private Loan Contract", a one page sample "loan repayment schedule" and information about "High Yield Private Placements," before they invested. Investors were

1 not required to contribute to the management of their money in the PMT program. Investors were given
2 no information about who would manage their money, or where it would be deposited. Investors were
3 not provided with any track record for the PMT program, nor were they given any financial statements
4 or other background information about PMT or its principals.

5 6. At least thirty-three investors invested at least \$1,091,500 in the PMT program.

6 7. Some investors received monthly interest payments on their investment for a period of 3
7 to 7 months. Several of those investors decided to invest again after receiving payments. After
8 receiving monthly payments, some investors provided information about the PMT program to friends
9 and family members who also invested. The majority of investors decided to "roll over" their monthly
10 interest payments into their original investment. Those investors received no payments back from PMT.

11 8. As the due dates for investors' 12-month contracts matured, investors who made inquiry
12 were told that there were delays in returning investor funds. Some investors were told that the funds
13 were being retrieved from overseas, or that the funds had reached the United States, but were being held
14 in New York, or that Respondent BREDESON was on his way across the country, paying investors as
15 he passed through their cities on his way to Phoenix. By August 1998, PMT had closed its business and
16 Respondents did not return telephone calls.

17 9. By Order dated November 23, 1998, the Arizona Corporation Commission entered into
18 a Consent with WMA Securities, whereby PMT investors, who dealt with Respondents, were repaid
19 their principal plus interest as a result of, among other things, WMA Securities' failure to supervise
20 Respondents.

21 III.

22 CONCLUSIONS OF LAW

23
24 1. The Commission has jurisdiction over these matters pursuant to Article XV of the
25 Arizona Constitution and A.R.S. § 44-1801, *et seq.*

2. From on or about November 1997, PATRICK ROBIN HOGUE offered and/or sold securities in the form of notes, investment contracts or evidences of indebtedness, within and/or from Arizona.

3. The securities referred to above were not registered under A.R.S. §§ 44-1871 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule or order promulgated by the Commission. This conduct violated A.R.S. § 44-1841.

4. In connection with the offers to sell and the sale of securities, PATRICK ROBIN HOGUE acted as a dealer and/or salesman within and/or from Arizona, although not registered pursuant to the provisions of Article 9 of the Securities Act. This conduct violated A.R.S. § 44-1842.

5. In connection with the offers and sales of securities within and/or from Arizona, PATRICK ROBIN HOGUE directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. HOGUE'S conduct includes, but is not limited to, the following:

a) HOGUE failed to provide investors with any information about the background and experience of Plus More Trust or its principals;

b) HOGUE failed to provide investors with the names, background and experience of the individuals or institutions who would purportedly be trading medium term notes with investor money;

c) HOGUE failed to provide investors with any accounting for the use of their funds, or with any source of repayment;

d) HOGUE failed to disclose any risks in investing in the PMT program;

- 1 e) HOGUE failed to disclose fees or commissions connected with the sale of the PMT
2 program;
3 f) HOGUE failed to tell investors that the PMT program had not been approved for sale
4 by their dealer, WMA Securities, and that he was in effect "selling away" from the
5 firm by promoting the PMT program;
6 g) HOGUE misrepresented the PMT program as being a high yield, exclusive trading
7 program between European financial institutions, when in fact, such programs do not
8 exist in the legitimate financial markets.

9 6. This conduct violated A.R.S. § 44-1991.

10 **IV.**

11
12 **ORDER**

13 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission
14 finds that the following Order is appropriate, in the public interest and necessary for the protection of
15 investors.

16 1. IT IS HEREBY ORDERED, pursuant to A.R.S. § 44-2032, that Respondent PATRICK
17 ROBIN HOGUE permanently cease and desist from violating the Securities Act.

18 2. IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that PATRICK ROBIN
19 HOGUE shall pay an administrative penalty of six thousand, five hundred and twenty-two dollars
20 (\$6,522), based upon return of commissions of \$1522 plus an additional \$5,000 in penalties. Payment to
21 be due within 30 days of the issue of this Order. Payment shall be made by cashier's check to the "State

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of Arizona" for deposit in the General Fund of the state. IT IS FURTHER ORDERED that upon failure to make payment when due, interest shall accrue upon default at the statutory rate of ten percent per annum.

3. IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Chairman Irvin

Commissioner Kunasek

Commissioner Mundell

IN WITNESS WHEREOF, I, BRIAN MCNEIL,
Executive Secretary of the Arizona Corporation
Commission, have hereunto set my hand and
cased the official seal of the Commission to be
affixed at the Capitol, in the City of Phoenix, this
_____ day of October, 1999.

BRIAN MCNEIL
Executive Secretary

DISSENT
(SAF)

This document is available in alternative formats by contacting Cynthia Mercurio-Sandoval, ADA Coordinator, voice phone number 602/542-0838, E-mail csandoval@cc.state.az.us.

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